

EXHIBIT 2

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re

CITY OF DETROIT, MICHIGAN,

Debtor,

)
) In Proceedings Under Chapter 9
)
)
) Case No. 13-53846
)
)
) Hon. Steven W. Rhodes
)
)
)

**DECLARATION OF BRIAN L. SMITH IN SUPPORT
OF THE OFFICIAL COMMITTEE OF RETIREE'S REPLY IN SUPPORT OF
MOTION FOR ALLOWANCE OF AN ADMINISTRATIVE EXPENSE CLAIM
PURSUANT TO SECTION 503(B)(3)(F) OF THE BANKRUPTCY CODE¹**

I, Brian L. Smith, declare under penalty of perjury that:

1. I am the Chief Operating Officer ("COO") of Segal Select Insurance Services Inc. ("Segal Select" or the "Company"), which maintains offices at 333 W. 34th Street, New York, New York 10001-2402. I have more than forty years industry experience. Further, I am authorized to execute this declaration on behalf of Segal Select. Unless otherwise stated in this declaration, I have personal knowledge of the facts set forth herein.²

2. This declaration is being submitted in connection with the reply (the "Reply") filed by the Official Committee of Retirees (the "Committee") of the City of Detroit (the "City" or "Debtor") in support of the motion (the "Motion") filed by the Committee seeking entry of an order allowing the Policy Premium as an administrative expense pursuant to section 503(b)(3)(F) of the Bankruptcy Code in order to permit the Committee to procure the Insurance Policy.

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion.

² Certain disclosures herein relate to matters within the personal knowledge of other professionals at Segal Select and are based on information provided by them.

3. I previously submitted a declaration in support of the Motion executed on February 6, 2014 (the "February 6 Declaration") and filed with this Court on February 7, 2014 [Dkt. No. 2660, Exhibit A]. I incorporate that February 6 Declaration herein. The February 6 Declaration remains true and correct to the best of my knowledge.

4. The total cost component of the Insurance Policy consists of the cost of coverage and a refundable retention requirement for indemnifiable claims. The cost of coverage is \$352,250, calculated as follows: \$70,000 for the first year of coverage; \$70,000 for the additional second year of coverage; \$210,000 for the six year tail coverage (300% of the annual policy premium); a \$500 underwriting fee charged by the insurer; and a surplus lines tax of \$1,750. The refundable retention requirement is \$250,000. The retention requirement included in the Insurance Policy is to be funded by an escrow account during only the six-year "tail" period, and is fully refundable to the City if no claims are made against the Insurance Policy. The scope, price, and terms of the Insurance Policy are well within market norms for this type of Insurance Policy.

5. The commission accompanying the Insurance Policy is payable by the insurer, and is not paid by the City or the Committee. The commission percentage term of the Insurance Policy provides for a total commission of 20%. That 20% is calculated based on the total cost of coverage for the Insurance Policy of \$350,000 (if the full two years of coverage and six-year tail are purchased). There is no commission calculated based on the \$500 underwriting fee charged by the insurer, the surplus lines tax of \$1,750, and the \$250,000 refundable retention.

6. 15% of the commission is payable to Segal Select and 5% of the commission is payable to a wholesale broker. The wholesale broker was necessary in procuring the Insurance Policy in order to procure excess and surplus lines insurance. Segal Select does not maintain

licenses for excess and surplus lines insurance. 5% is the minimum norm for a wholesale broker commission of this type.


7. The commission is a one-time payment that covers the insurance brokerage services provided by Segal Select, including those associated with the design and placement of this coverage, as well as any future services that may be required during the eight year term of the policy.

8. A commission range of 10% to 15% is currently the industry standard for most types of miscellaneous professional liability policies. As premiums increase, the 10% commission is more common. In this instance, given the quoted premium and especially given its eight-year policy period, the insurer offered 15%, and we consider it appropriate.

I declare under the penalty of perjury that the forgoing is true and correct, to the best of my knowledge.

SEGAL SELECT INSURANCE SERVICES INC.

Dated: February 28, 2014



Brian L. Smith
Chief Operating Officer

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